

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 EPG-02 DODE-00 FEAE-00 FPC-01
H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01
PM-04 USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00
ACDA-07 IGA-02 OPIC-03 PA-01 PRS-01 /106 W
-----171828Z 117330 /43

R 171540Z JUN 77

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 7806

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E.O. 11652: N/A

TAGS: ENRG, CS

SUBJECT: GOVERNMENT TAKE-OVER OF TEXACO DISTRIBUTION FACILITIES

SUMMARY: THE SCANDAL THAT HAS ERUPTED IN COSTA RICA CONCERNING THE PURCHASE AT ALLEGEDLY EXCESSIVE PRICES BY THE STATE OIL COMPANY OF PETROLEUM FACILITIES OWNED BY VESCO AND FIGUERES' INTERESTS HADDRAWN PUBLIC ATTENTION TO THE FACT THAT RECOPE HAS NOT YET NEGOTIATED FOR THE TAKE-OVER, UNDER THE NATIONALIZATION DECREE OF 1975, OF TEXACO'S PETROLEUM DISTRIBUTION FACILITIES. THERE ARE REPORTS THAT RECOPE WILL TAKE-OVER TEXACO'S JET FUEL AND AVIATION GAS BUSINESS IN THE NEAR FUTURE. TEXACO IS CONCERNED THAT IT MAY NOT BE OFFERED FAIR COMPENSATION FOR THESE AND OTHER FACILITIES WHICH IT IS PREPARED TO TURN OVER TO THE GOVERNMENT UNDER THE NATIONALIZATION DECREE. DEPENDING ON HOW THIS MATTER DEVELOPS IN THE NEXT FEW DAYS, TEXACO REPRESENTATIVES MAY CONTACT THE DEPARTMENT FOR ADVICE AND ASSISTANCE. END SUMMARY.

1. SINCE SEPTEMBER 1, 1975, WHEN PRESIDENT ODUBER ISSUED HIS DECREE DIRECTING THE GOVERNMENT OIL REFINERY (RECOPE)

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"TO ACQUIRE BY NEGOTIATION AS QUICKLY AS POSSIBLE THE PROPERTIES, INSTALLATIONS, AND EQUIPMENT OF OIL COMPANIES IN ORDER TO CARRY OUT FUNCTIONS OF DISTRIBUTION, STORAGE AND SALES OF PETROLEUM PRODUCTS", TEXACO HAS BEEN AWAITING DEFINITIVE ACTION BY RECOPE. THERE HAVE BEEN DESULTORY NEGOTIATIONS FROM TIME TO TIME, USUALLY AS THE RESULT OF PRODDING BY THE TEXACO REPRESENTATIVE, HENRI POUEY, BUT

RECOPE HAS MADE NO SERIOUS EFFORT TO NEGOTIATE FOR ACQUISITION OF THE TEXACO FACILITIES. ATTEMPT BY TEXACO TO SELL-OFF SOME OF THEIR FACILITIES PIECEMEAL, NOTABLY THE GASOLINE SERVICE STATIONS WHICH THEY WISH TO SELL TO THE CURRENT OPERATORS, HAVE BEEN FRUSTRATED BY THE REFUSAL OF THE GOVERNMENT-CONTROLLED COMMERCIAL BANKS TO MAKE CREDIT AVAILABLE TO THE POTENTIAL PURCHASERS.

2. TEXACO'S OBJECTIVE IS THE SAME AS IT HAS BEEN SINCE THE 1975 DECREE, TO RECEIVE ADEQUATE COMPENSATION FOR THE FACILITIES WHICH ARE PRESUMABLY TO BE TAKEN-OVER UNDER THE DECREE. THE PASSAGE OF TIME WORKS TO TEXACO'S DISADVANTAGE BECAUSE IN ITS GASOLINE BUSINESS IT HAS ALREADY SURRENDERED ITS WHOLESALE ROLE AND IT RECEIVES ONLY NOMINAL RENTS ON GAS STATIONS, AMOUNTING TO LESS THAN A FOUR PERCENT RETURN ON THEIR CURRENT VALUE. ALL OF THE OTHER INTERNATIONAL OIL COMPANIES SOLD OUT TO LOCAL COMPANIES PRIOR TO PROMULGATION OF THE OIL NATIONALIZATION DECREE. AT LEAST SOME OF THE COMPANIES -- THOSE THAT SOLD OUT TO INTERESTS CONNECTED WITH FIGUERES AND VESCO, AND THOSE THAT SOLD OUT TO INTERESTS CONNECTED WITH ANOTHER POLITICAL GROUP HERE, BUT JORGE GONZALEZ MARTEN GROUP -- SOLD OUT AT CLOSE TO BOOK VALUE. THE POLITICALLY INFLUENTIAL BUYERS SUBSEQUENTLY SOLD OUT TO RECOPE UNDER THE NATIONALIZATION DECREE AT A MUCH HIGHER PRICE, BASED ON AN APPRAISAL OF THE CURRENT VALUE OF THE FACILITIES MADE BY AN EXPERT APPRAISER OF THE GOVERNMENT BANKING SYSTEM. TEXACO WISHES TO BE COMPENSATED ON THE SAME BASIS.

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 EPG-02 DODE-00 FEAE-00 FPC-01
H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01
PM-04 USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00
ACDA-07 IGA-02 OPIC-03 PA-01 PRS-01 /106 W
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3. THE SCANDAL THAT HAS NOW ERUPTED CONCERNING RECOPE'S TAKE-OVER OF THE OTHER PETROLEUM DISTRIBUTION FACILITIES HAS HAD THE SIDE EFFECT OF DRAWING PUBLIC ATTENTION TO THE FACT THAT RECOPE HAS NOT YET NEGOTIATED TO TAKE-OVER THE TEXACO FACILITIES. THE PRESS HAS ASKED POINTED QUESTIONS ABOUT THIS SITUATION. THE GAS STATION OWNERS HAVE ALSO COMPLAINED PUBLICLY THAT THE STATE-OWNED COMMERCIAL BANKS HAVE REFUSED THEM CREDIT TO BUY THE TEXACO SERVICE STATIONS.

4. STORIES ARE NOW SURFACING IN THE PRESS, WHICH APPEAR TO BE BASED ON SOURCES WITHIN RECOPE, THAT RECOPE WILL TAKE-OVER IN THE NEAR FUTURE TEXACO'S FACILITIES FOR DISTRIBUTING JET FUEL AND AVIATION GASOLINE AT THE AIRPORT. TEXACO REPRESENTATIVE POUHEY HAS TOLD EMBOFF THAT HE HAS HAD NO OFFICIAL COMMUNICATION ON THIS MATTER FROM RECOPE, BUT HE EXPECTS IT TO HAPPEN. HE SAYS THAT RECOPE WOULD HAVE TO HAVE THE TEXACO FACILITIES AT THE AIRPORT AND THAT TEXACO WILL INSIST ON FAIR COMPENSATION. RECOPE HAS BEEN PRODUCING JET FUEL IN ITS REFINERY SINCE FEBRUARY AND TESTS RUN BY TEXACO HAVE SHOWN THE QUALITY TO BE SATISFACTORY, ACCORDING TO POUHEY. RECOPE WOULD IMPORT AVIATION GASOLINE AS IS DONE BY TEXACO NOW.

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5. DEPENDING ON HOW THIS MATTER DEVELOPS OVER THE NEXT FEW DAYS, TEXACO REPRESENTATIVES MAY FIND IT NECESSARY TO CALL ON THE DEPARTMENT OF STATE FOR ASSISTANCE, POUHEY SAID. HE FEARS THAT TEXACO MAY FACE A SITUATION OF EXPROPRIATION WITHOUT ADEQUATE COMPENSATION.

6. COMMENT: A BATTLE WITH TEXACO AT THIS PARTICULAR TIME MIGHT BE VERY CONVENIENT FOR THE STATE OIL COMPANY, RECOPE AND FOR THE GOVERNMENT OF COSTA RICA. THEY ARE BOTH UNDER STRONG ATTACK FOR ALLEGED CORRUPTION, INCLUDING PAYMENT OF EXCESSIVE PRICES FOR OIL DISTRIBUTION FACILITIES TAKEN-OVER FROM VESCO AND FIGUERES' ASSOCIATES. IT MUST BE EMBARRASSING THAT A DECREE ALLEGEDLY DESIGNED TO "NATIONALIZE" FACILITIES OWNED BY BIG FOREIGN OIL COMPANIES HAS SO FAR ONLY BEEN USED TO TAKE OVER FACILITIES OWNED BY LOCAL, POWERFUL POLITICAL INTERESTS, AND THE ONLY BIG INTERNATIONAL OIL COMPANY THAT WAS OPERATING HERE WHEN THE DECREE WAS ISSUED CONTINUES TB034-53.

7. ALTHOUGH A BATTLE WITH TEXACO MIGHT BE POLITICALLY ADVANTAGEOUS, IT WOULD ALSO PRESENT PROBLEMS TO THE GOVERNMENT, AND THE EMBASSY IS NOT PREDICTING THAT SUCH AN EVENT WILL OCCUR. IF RECOPE WERE TO COMPENSATE TEXACO ON A LESS FAVORABLE BASIS THAN IT USED TO COMPENSATE THE VESCO AND FIGUERES' INTERESTS, IT WOULD IN EFFECT BE ADMITTING OVER-

PAYMENT IN THE LATTER CASE. ON THE OTHER HAND, IF IT
COMPENSATES TEXACO ON THE SAME BASIS, THERE WOULD BE NO
FIGHT BECAUSE TEXACO WOULD UNDOUBTEDLY ACCEPT. THE EMBASSY
WILL KEEP THE DEPARTMENT INFORMED OF FURTHER DEVELOPMENTS
IN THIS CASE. END COMMENT.
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Message Attributes

Automatic Decaptioning: X
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Disposition Approved on Date:
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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
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Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2111785
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TAGS: ENRG, EINV, CS, TEXACO
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/63fbfb7a-c288-dd11-92da-001cc4696bcc
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